



Date: January 20, 2012

To: Thomas J. Bonfield, City Manager

Through: Keith Chadwell, Deputy City Manager

From: Kevin Dick, Director
Office of Economic and Workforce Development

Darrell Solomon, Business Services Manager
Office of Economic and Workforce Development

Subject: Amendment to the North Carolina State Department of Commerce FY 2010 One North Carolina Fund Grant for the ACW Technology Inc. Expansion FY 2010 – FY 2013 which will supersede Grant Project Ordinance #13973

Executive Summary

This item amends the North Carolina State Department of Commerce FY 2010 One North Carolina Fund Grant for the ACW Technology Inc. (ACW) Expansion FY 2010 – FY 2013 Grant Project Ordinance 13973 (GPO). The amendment reflects a decrease of \$50,000.00 in One North Carolina Fund grant funds received from the State for non-utilized funds by ACW. This item will decrease the North Carolina State Department of Commerce FY 2010 One North Carolina Fund Grant for the ACW Technology Inc. (ACW) Expansion FY 2010 – FY 2013 Grant Project Ordinance 13973 by \$50,000.00 from \$50,000.00 to \$0.00.

Recommendation

Staff recommends that City Council authorize the City Manager to amend North Carolina State Department of Commerce FY 2010 One North Carolina Fund Grant for the ACW Technology Inc. (ACW) Expansion FY 2010 – FY 2013 Grant Project Ordinance by executing the grant documents and adopting the ACW Technology Inc. Expansion Grant Project Ordinance FY 2010-2013 in the amount of \$0.00.

Background

City Council approved funds in the amount of \$69,905.00 for the ACW Technology Inc. expansion at the January 19, 2010 meeting. ACW had also requested an amount from the State to match the City award. In order to access funding from the State, the North Carolina Department of Commerce stipulated that the City was to apply for a matching grant from the State on behalf of ACW. The Office of Economic and Workforce Development (OEWD) submitted a grant application in January 2010 to satisfy this requirement. On March 8, 2010, OEWD received an award notification from the State of a grant in the amount of \$50,000.00.

ACW Technology considered multiple sites surrounding Durham for its expansion. Though

other areas offered larger incentive amounts with larger matching funds from the State, and the fact that other regions had less expensive costs of doing business, ACW Technology indicated that it would be willing to expand within Durham based on a lower state matching amount due to the following factors:

- Durham County has competitive advantages, such as the proximity to RDU Airport, more hotels, restaurants and other amenities that make the location more attractive for entertaining corporate clients, supply chain representatives and ACW representatives.
- The company recognized the level of talent in Durham's workforce.

Issues/Analysis

The One North Carolina Fund Grant was "performance-based." The City was to serve as the pass-through entity for the grant and monitor ACW's performance to ensure that they met the performance requirements stipulated by the State. The City would have disbursed funds to ACW Technology based upon their fulfillment of the One NC grant guidelines. No funds were to be paid to the company until after the company had achieved its goals.

In a letter to OEWD dated December 12, 2011, ACW stated that due to extenuating business circumstances that ACW did not intend to utilize any of the \$50,000 in matching funds for which the City of Durham applied on behalf of the company in order to supplement the City's economic development incentive.. They stipulated that they did not intend to hire employees on the same schedule that they had initially proposed to the State and to the City of Durham.

ACW continues to build its business at their Durham location, and intends to grow their customer base to a sustainable level.

To accurately reflect a decrease of \$50,000.00 in state One North Carolina Fund grant funds, an amended Grant Project Ordinance in the amount of \$0.00 is being prepared to supersede Grant Project Ordinance #13973. This new Grant Project Ordinance must be adopted in order to reflect this decrease in funding.

Funds awarded under the One NC Fund for the ACW expansion were awarded solely for the project and cannot be used for any other project or use.

Alternatives

Council may choose to not approve the Grant Project Ordinance as amended however, if Council chooses to not approve the amended Grant Project Ordinance, the Office of Economic and Workforce Development would not be in compliance with the state process for administering funds.

Financial Impact

These funds are state dollars administered by OEWD. This item will have no impact on the City's general fund.